Previous references.

File No. 17-08

1908.-09

Serial Nos. 1-9

(Banking)

Later references.

B 28-13-86 1-2 B Jany 14

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 1-9.

Part B. for December 1910.

SUBJECT.

Re, Proposal for improving the condition of the agricultural Banks in the State.

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1 From the Rev. Comr. No. 3454 dt. 16.9.08.
Proposes certain alterations in the articles of association of the agrl banks with a view to give them a chance of resuscitation under altered conditions.

2. To the Deputy Comrs of districts and Inspector of agrl Banks. No. R. 3507-15 dt. 12.2.09.
Forwards copy of Rev. Comrs letter & invites their opinion

3. From the Deputy Comr, Bangalore Dt.
G. R. S. 58 No. 692 dt. 26.4.09.
In agreeing generally with the Rev. Comr's proposal expresses it as his opinion that the rate of interest proposed by the Rev. Comr appear to be

is high and proposes instead a rate from 9 to 12 per Cent.

4. From the Regr of Cooperative Societies
No. 716 dt. 11.5.09.
C.B61
Disagrees with the Rev. Comr. regarding the distinction made by him between Cooperative Societies and agrl Banks in the 1st para of his memo and considers it advisible not to vex the ghosts of the agrl Banks by new rules, but to bring the 4 surviving banks under the Co-operative regulation.

5. From the Deputy Comr Shimoga Dt.
No. 117/84 dt. 24.8.09
Forwards his opinion on the proposal of the Rev. Comr and suggests that in order to attract deposits, it may be declared that deposits shall be the 1st charge on a Bank's funds.

6. From the Deputy Comr, Kadur Dt.
No. 288 dt 29.1.10.
agrees with the Rev. Comrs suggestion generally but is of opinion that the interest rate is too high and suggests incidentally that in the interests of good management of these institutions the amildar be made the President of such institutions within his jurisdiction.

7. From the D.C Kolar Dt. No. C. 290 dt. 21.3.10.
while agreeing generally with the suggestions of the Rev. Comr holds that in regard to maximum rate of interest it may perhaps be desirable to keep them somewhat lower.

8. From the Rev. Comr D.O. dt. 22.4.11
States that Mr. Sharma Rao agrees with him in the matter, and forwards the draft G.O. order with certain modifications

9. To the Rev. Comr, Regr of Cooperative Societies, Inspector of agrl Banks, D.Cs of Districts, Regr of joint Stock Companies, & Comptroller, No. R. 2995-3011 dt. 17.08.7
Directing that the existing agrl Banks in the State be converted into Societies under the Cooperative Regn of 1905, with a view to infuse new life into them

G.R.S. 11]

1908. 9

GENERAL AND REVENUE SECRETARIAT.

(Banking)

NOTES.

File No. 17-08.

FILE HEADING.

Proposal of the Rev: Govt: for the resuscitation of the Agl. Banks

From

The Rev: Govt:

No. 3454 Dated 16.9.08 Received 17.9.08

Diary No. 1016 | Enclos. 2 | Spare Copies | Serial No. 1

BRIEF ABSTRACT OF LETTER.

Proposes Certain alterations in the articles of Association of the Agl. Banks with a view to give them a chance of resuscitation under altered conditions

NOTES AND ORDERS.

The Rev: Govt: describes in some detail the existing defects in the working of these institutions and proposes Certain alterations in the Articles of Association. He desires to

Notes—First sheet

GPB—30,000 - 3-4-07.

G. R. S. 12]
General and Revenue Secretariat.

B File No. 17 of 190 8

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the Agricultural Banks
(1) to charge higher rates of interest on the moneys lent from the Banks, i.e up to 18%.
(2) to offer higher rates of interest than 4% on the moneys deposited with the Banks
(3) to restrict charges on account of establishment & contingencies, and finally
(4) to hold out a hope of converting the banks into a source of permanent help & profit to the members.

This proposal involves certain modifications (1) in para 4 of the Articles of the

(2) in para 38 "
(3) in para 50 "
(4) in para 56 "
(5) in para 57 "
(6) in para 59 "

K.S.
28/9/08.

GPB—50.000—18-5-08

G. R. S. 12]
General and Revenue Secretariat.

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According to the Revenue Commissioner, the failure of the Agricultural Banks is chiefly due to (1) the absence of scope under the existing rules, for the building up of a large reserve sufficient for carrying on the operation of the Banks after the withdrawal of Government loans; (2) the indifference of members consequent upon their not being permitted to appropriate to themselves any share of the profits and (3) to the unnecessarily large expenditure on establishments and contingencies incurred by the Banks. Accordingly, he proposes certain modifications of the articles of association providing for the levy of higher rates of interest on the loans advanced by the Banks and for giving a share of the net profits to the members.

2. It is proposed to authorise the Agricultural Banks to charge interest up to 18 per cent, and to allow them to pay higher rates of interest on deposits. If Agricultural Banks are to levy such high rates of interest as are proposed, they are no better than ordinary money lenders and ~~it seems that~~ the very object of the existence of these Banks would be frustrated. The supply of cheap and ready capital to the poor agricultural borrower is the main business of an agricultural Bank and is the only justification of its existence. It is not intended that an Agricultural Bank should work with the object of making any profit; that is the business of an ordinary Joint-Stock Bank. The profit of an Agricultural Bank to its members consists in the cheap capital they can get for agricultural purposes and no benefit whether in the

NOTE—Contd. sheet.

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4

G. R. S. 12]
General and Revenue Secretariat.

B File No. 17 of 190 8

Serial No.

the form of a share in the net earnings or other, seems to be the legitimate profit for which an agricultural Bank should work. The rates of interest now charged are as follows:- up to 6 per cent on loans on the security of immoveable property, up to 7 p.c. on loans on joint properties, up to 8 p.c. on loans on joint instalment bonds and up to 9½ p.c. on hand loans. It seems doubtful if these rates can be enhanced consistently with the objects of Agricultural Banks. The amounts borrowed from Agricultural Banks are intended for agricultural purposes and it is not clear if the yield from agricuture in normal circumstances and cases is sufficient to enable the borrower to pay higher rates of interest than the present and to leave him a balance adequate for his labour for his maintenance &c &c Contributed by him.

3. Supposing higher rates of interest are levied, who are to pay them? Only the members; for no others can borrow from an Agricultural Bank. The Revenue Commissioner proposes that after the reserve fund reaches a certain proportion it may be distributed as dividends among members and honoraria to the office bearers." In the first place it is not clear how the distribution among the members should be made. The capital of an Agricultural Bank is not made up wholly or partly of shares and in the absence of such contribution from members, how is the share of profit of each member to be ascertained? If members have deposited any money with the Bank or have advanced any money as loans, they can have no claim to any share of profits; for in their capacity as depositors and lenders they ought not to get any advantage denied to other depositors and lenders who are not members.

Depositors

Note- Contn sheet.

GPB-50,00017--3-07

Serial No.

Depositors and lenders, whether members or non-members can get only their stipulated interest. If the profit is to be divided in proportion to the loans taken by the members, that would mean, members who have borrowed most should get most i.e., those who have made the most use of the Bank by availing themselves of its facilities for borrowing are to get more advantages for having borrowed largely. It may be contended that having borrowed largely and contributed in consequence largely to the profits of the Bank, members who have borrowed heavily should get proportionately large profits. Are they the better for all this arrangement? They would pay ~~more~~ with the one hand in the form of high rates of interest what they would receive with the other in the shape of profit. In fact, they would not receive even the whole of what they pay in the form of higher interest, as only a portion of the reserve is to be distributed among them. If again the profit is to be divided among all the members equally, that is hardly an equitable distribution, having regard to the varying contributions in several forms made by the members. If under any of these arrangements, the whole or any share of the additional interest is to return ultimately to the members, one does not see why such addition should be made at all.

4. Next the question, whether Agricultural Banks may be permitted to employ in their business what little reserve they may be able to lay by, may be considered. The lending of reserve is inadmissible under the scheme as originally started and hitherto worked. In several instances proposals for such use

of

NOTE- Contn sheet.

GPB-50,00017--3-07

Serial No.

of the reserve have been ~~discontinued~~ discountenanced by Govt. Our Agl Banks are modelled on the Raiffeisen type and the idea of using the reserve is contrary, according to Raiffeisen and others, to the principles of co-operative associations of this kind. It does not seem to be the essence of this movement, at any rate as conceived by its pioneers, to build up a large reserve at all. It is true that more recent authorities like Mr.H.W.Wolff approve of the utilisation of the reserve in making loans. But the point is whether our Agl Banks can be trusted to wisely exercise this privilege. If permission to use the reserve is given, the probability is that it may be borrowed by the more influential of the members-- chiefly the office bearers-- and the provision available for inspiring confidence in the public and for attracting deposits and loans, on which mainly a well conducted Bank should rely for raising funds necessary for its working, would disappear. The importance of a reserve in cash or in forms easily converted into cash, as a factor in inducing the investing public to place their money in our Agl Banks cannot be overstated. And in the circumstances of our Agl Banks, the members of which are persistent defaulters in repaying loans borrowed by them, it may not be advisable to allow them to draw upon their little reserve for making loans.

5. The real defect which has discredited these institutions seems to be that they have failed to inspire confidence in the public. The ~~Govt.~~ Govt. loan was appropriated by the more influential of the members and much of it was probably not used for agricultural

NOTE- Ninth sheet.

Serial No.

agricultural purposes at all. Whether the amounts borrowed were used for agricultural purposes or not was neither watched by the Bank authorities nor by Govt officers. The repayments of principal and payment of interest were most unpunctual and the working of the Banks was accordingly disorganised. The consequence was that the general public had no confidence in these Banks to lend to, or deposit their money with, them. If the investing public see that the security is good and punctual payment of interest & return of their money are assured, there seems to be no reason why Agl Banks should fail to attract deposits and raise loans at the rates they can pay. [It may be possible to pay more than 4 p.c. if their establishment and other charges are reduced.] Large sums are invested in the Govt and Post Office Savings Banks at 3⅛ p.c. and in the Presidency Banks at 3½ p.c. If the working of the Agl Banks is as satisfactory as it should be, if ~~its~~ their transactions are given due publicity and if the condition of their affairs are such as to inspire confidence, there is no reason why a portion of the amount which is now put in the Savings ~~of~~ and other Banks should not be deposited with them.

6. The proposal regarding the curtailment of establishment and other charges is unexceptionable.

7. In the above circumstances it is not clear if alterations of the Articles of Association in the directions suggested are called for. These Banks have failed to establish a reputation for working on sound business principles and they may not be able easily

NOTE.- Contn sheet.

GPB-50,00017-3-07

G. R. S. 12]
General and Revenue Secretariat.

B File No. 17 of 1908

Serial No.

easily to inspire hereafter that confidence in their working which is necessary for raising the money required by them. At any rate the investing public may not be easily induced to entrust their money to discredited institutions like these Banks. Institutions of the nature of Agl Banks started under the Co-operative Societies Regulation may, judging by the success which has so far attended the Co-operative movement in British India and Mysore, be better able to re-organise rural credit and help the poor agricultural borrower and expected to have a greater career of usefulness than the Agl Banks.

Genl Secy

2 11 8

No 7652 & 20-11-08
Encl letter
& 3 books

The above note by the Asst Secy, Jud Branch, is forwarded unofficially to the Revenue Commissioner for favour of consideration and remarks.

B. O
Mr Chandrasekhara
Secy to Govt

19.11.08

19/11/08

Jud 11/8

Rev. G. No 108
1908-09.

I have read the above note carefully & return the file with thanks. I leave the matter in the hands of Govt for passing such orders as they

NOTE- Contn sheet.

GPB-50,00017--3-07

Banking File No. 17 of 1908-09

Serial No.

My dear Sir -

23.11.08.

Submitted.

KS.
25.11.08

Gene Secy

27.11.8

The Diwan directs that the Rev Comrs letter may be forwarded to the Secy Comrs of Ds, & the Inspectr of Agl Banks, for opinion as to the suggestions made therein.

Please take action accordingly

Regr

Dept

27.11.08

Sub:

The opinion of the Inspector of Agricultural Banks is already given in a DO to the Rev Comrs and it is forwarded with the DO letter under disposal. The draft put up is addressed to him also as ordered by Govt.

for

30/11/08

Inspector of Agl Banks

Forwards copy of Rev Comrs letter & invites their opinion

Note—Contn. sheet.

GPB—50,000—13-5-08

2

Serial No.

B From the Dy Commr Tumkur
No 692 dt 26-4-09 Dl'd

In agreeing generally with the Revt Comrs proposal expressed in his opinion that the rates of interest proposed by the Revt Commr appear to him as high & proposes instead a rate from 9 to 12 per cent.

Submitted

1-5

Reminder may issue to the Dy Comrs who have not replied.

4. From the Registrar of Co-operative Societies in Mysore. No. 716 dt 11-5-09. C.B. 61

Disagrees with the Revt Comrs regarding the distinction made by him between Co-operative Societies and Agricultural Banks in the first para of his memo, and Comrs it advisable not to vest the shares of the Agrl Banks by new rules, but to bring the four surviving Banks under the Co-operative Regulation -

5 From the Dy Commr, Shimoga Dl'd

NOTE—Contn. sheet.

GPB—50.000—13-5-08

Serial No.	
	No 117/84 S 24-8-09. Forwards his opinion on the proposal of the Rev Commr & suggests that in order to attract deposits it may be declared that deposits shall be the first charge on a Bank's funds. Subd 26/8
6	From the Dy Commr Kadur D No 288 S 29-1-10 Agrees with the Rev Commrs' suggestion generally but is of opinion that the interest rate is too high & suggests incidentally that it the interests of good management of these institutions the Amildar the Asst. or Divisional Officer should be President of such institutions within his jurisdiction.

NOTE—Contn. sheet.

GPB—50.000—18-5-08

G.R.S. 13]

Routine Notes.

[for permanent record.]

Bord 53599 Curr D. 11 673/10
Earle
DSB
673

OFFICE OF THE REVENUE COMMISSIONER
IN MYSORE,

Bangalore, 8. 3 1910.

My dear Balasundaram Sir,

May I trouble you again to send me your secret. circl. file re my proposal for making some alterations in the Rules of agricultural Banks. I want to consult the Committee with some information which I have been able together in my recent tour. Yours truly,

Ramaswamy

Send with the file

Dch 8/3 Mack

The file may be sent to the Rev. Commr. Ends 8.3.10

Rev 7645
& 10-3-1910

Sent accordingly herewith

N. B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

8/3

GPB—45,000—19-5-08

B & II
please
No. D & C 18

13

Office of the Revenue
Commissioner in Mysore
Bangalore 27th October 1909

Dear Mr. Chandrasekhara Aiyar,

Sometime ago I made certain proposals for improvement of Agricultural Banks. If you can kindly send the file relating thereto, I can study the subject and submit definite proposals to Government for orders.

Yours sincerely,

K.S.Chandrasekhara Aiyar Esq., B.A.,B.L.,
Secretary to Government, General and
Revenue Departments.

Subd. the Rev: Comr: made inquiries about this file today also. He wants this in order to discuss the matter with the Financial Secretary & the file may kindly be sent tomorrow morning.

K.S.
28/10/09

Sent with file referred to

29/10 1/11

D.G.349
file

D3901

64

OFFICE OF THE REVENUE COMMISSIONER
IN MYSORE,

Bangalore, 30th March 1910 19

Dear Balasundaram Iyer,

I return the files relating to Agricultural Banks received with your U.O. Fl. No.45 dated 10th March 1910 with a further note and shall be glad if the matter can be pushed through without waiting for further opinions. If possible, I should like to have an opportunity of discussing with the Comptroller and the Dewan as regards questions on which further information may be considered desirable.

Yours sincerely,

C.S.Balasundaram Iyer Esq., B.A.,
Offg. Secretary to Government,
General and Revenue Departments.

Further note

I beg to submit the following observations with reference to the opinions given by the several officers on my proposals:-

I. Opinion of Mr. M.N. Krishna Rao.

Para2:- The higher rates now proposed are only the maximum and would not be charged invariably, and as it may be provided that such rates should be fixed with the sanction of the Registrar of Co-operative Societies, there can be no harm in keeping such maximum. Even these rates are cheaper than the market rates and the members of the agricultural banks would still be benefited. The 18 per cent on the 4th class loans is not as heavy as it seems. They are only hand loans of amounts not exceeding Rs50/- and are intended for advances to members having dealings in Santhes &c. The market rate for such transactions generally work up to from 24 to 50 per cent per annum. I have no objection however to the rate being reduced to 12 per cent. These rates will compare very favourably with those of the co-operative banks which are also intended to benefit the agricultural and artizan classes.

2. Para 3:- There is some confusion of ideas here. All the members of the bank are not intended to be debtors to the bank; and even if they be, the surplus interest will go to form the reserve and contribute to make the bank permanent. The members will then be able to enjoy the benefits of the institution in the dividends they will get. The sharing of the profits, when that contingency arises, will be equal to all the members, as they do not contribute any capital. Such of them as have advanced deposits or loans to the bank will get the stipulated interest thereon irrespective of the share in the profits as above. I am unable to follow the remarks made in the

latter part of this para.

3. Para 4:- The question whether the reserve in a bank should be utilised for current dealings or deposited with Government or elsewhere has, in the case of co-operative banks, been the subject of contradictory orders; but as such a reserve is intended to form the nucleus of the capital required for an agricultural bank and as it is impossible that all the debts due to an agricultural bank would be irrecoverable and as all specie banks observe no distinction between the reserve and their other resources, it seems expedient to permit the agricultural banks to utilize the reserve in making loans.

4. Para 5:- I am unable to understand the object of the remarks in this para. If they are intended to imply that there is no need for the proposed alterations and that better working of the banks under more careful supervision would be sufficient to resuscitate the banks, I do not think the expectations would be ever realised. The conditions under which the co-operative banks are now worked are sufficient to show that these views ignore the exigencies of the case.

5. Para 7:- The object of my proposals is to bring the constitution of our existing agricultural banks more in line with that of the co-operative societies and give the existing agricultural banks a fresh lease of life. No benefit will be gained by compelling these banks to wind up in the hope of fresh agricultural banks being started under the Co-operative Societies Regulation. Already there are some agricultural banks which are still doing some business, and it is to the interest and credit of Government to mend them and not to extinguish them. The bank at Nanjangud has, after paying all the Government dues,

a balance of Rs4000/- to its credit in outstandings, the greater part of which is sure to be realised. Other banks also have got some small reserve which can be materially increased by the proposals I have made. All the existing banks would gladly welcome the alterations now proposed by me and if they are agreeable, I do not see why the Governm ment should refuse to sanction.them. This opinion may be verified by reference to these banks themselves.

6. Further, most of the banks have still tp pay back to Government a portion of the advances received from Government. So long as the interest is only 4 per cent, it is to their advantage to put off the repayment. I would therefore suggest that the rate of interest payable to Government be raised from 4 to 6 per cent in the case of the banks which are in arrears on condition of giving additional time for paying up the balance if the banks agree to it and if the landed security offered by the banks be satisfactory. This will have the effect of compelling the members to settle their dues sooner than they would do otherwise and also add to the reserve of the bank.

7. I would also make an additional suggestion to give confidence to the public and induce them to deposit more largely in these banks. The Government has any how to watch the working of these banks carefully through the Registrar and see that the creditors of the bank do not suffer. If the Government provide that the amount of such deposits shall not exceed a certain maximum with reference to the value of the immovable properties owned by the bank and made liable for the Government advance and that the Registrar shall have power to collect as a revenue demand such deposits in case of default by the members in the same manner as provided in the Co-operative Regulation, it will materially add to the prosperity and good working

Section 19. put up

of the agricultural banks.

8. The Deputy Commissioner of Kadur proposes that the Amildars should be appointed as Presidents of the agricultural banks within their Taluk. The Registrar of Co-operative Societies now exercises control over these banks and gets their accounts audited. The Amildars may be appointed to be his assistants ex officio and required to inspect the affairs of the banks and audit the accounts and report the results for the information and orders of the Registrar. This would serve the purpose which the Deputy Commissioner has in view.

9. As regards the letter of the Registrar of Co-operative Societies dated 11th May 1909, I may observe that in his D.O. letter of the 29th August 1908 he had no serious objections to the modifications proposed by me. If as expressed in para 1 of his letter there is no material distinction between the rules of our agricultural banks and those of the rural co-operative societies, there should be no reason why the former should not be allowed to continue and be made more effective in certain respects. His observation in para 2 that the existing banks are not willing to continue after the discharge of Government loans may be tested by actual reference to them. I am not sure that all the banks are anxious to wind up their affairs if by improved rules and methods of business their good working can be ensured. The discredit now attaching to the banks is the result of the culpable neglect of supervision by our officers added to ignorance of the members. Now that the evils of indifference on their part to take greater interest in their working have been brought home to the members, we may expect a more intelligent interest in future. Further, there has unfortunately been some omission on the part of higher officers to suggest suitable

modifications and additions to the rules from time to time.

10. I am not aware that the existing co-operative institutions have so far attracted much capital from the open market or that the agricultural banks have got better chances of securing more public deposits by merely changing their constitution as proposed. It is also not clear how these agricultural banks can register themselves under the Co-operative Regulation without discharging the amount due to Government or winding up their concern. If they can do this they would only be new institutions, as observed by Mr. Shama Rao himself in the last sentence of his D.O. letter.

11. If, however, the existing banks can be brought under the Co-operative Regulation without changing their essential features and without requiring them to pay the Government advances now due by them, there is no need for considering these proposals and the change may be effected after consulting the banks.

12. In conclusion, I would respectfully suggest that some thing may be done early to give these banks a chance of continuing their useful work.

Revenue Commissioner.

Dated Bangalore,
~~16th~~ 30 March 1910.

G. R. S. 12]
General and Revenue Secretariat.

B File No. 17 of 1908

Serial No.

1

From the Dy Commr Kolar Dt
No C 290 8 21-3-10

which agreeing generally with the suggestions of the Dy Commr Hd Qrs that in regard to maximum rates of interest it may perhaps be desirable to keep them somewhat lower.

The Dy Commr in his D.O. of yesterday (30-3-10) states that he shall be glad if the matter can be pushed through without waiting for further opinion. Replies are still due from the Dy Commrs of Hassan, Bangalore Chitaldrug & Mysore Dts of these Hassan has no Agrl Banks, & all the Banks in Bangalore & Chitaldrug Dts have been wound up. The Dy Commrs of these Dts have no interest in the question of the revival of Agrl Banks, but nevertheless they may have valuable suggestions to offer on the general aspects of the Dy Commr's proposals. In regard to Mysore it is very

NOTE—Contn. sheet.

GPB—55,000—27-4-09.

G. R. S. 12]
General and Revenue Secretariat.

13 File No. 17 of 1908

Serial No.

necessary to obtain an expression of opinion from the Dy Commr before passing final orders. As this District contains a few working Banks & his experience of their working will be invaluable for a proper disposal of the question.

Sd.
31/3.

The opinion of the Registrar of Co-operative Societies & Inspector of Agricultural Banks may be invited on the suggestions made in the further note sent by the Rev Commr

21/4/10

If. from the Rev. Commr.
D.O. 87-22-4-11
approves States that Mr. Shama Rao agrees with him in the matter of imposing the position of Agrl Banks & forwards the Draft G.O. order with certain modifications.

(Genl Secy)

The Rev Commr & the Registrar of Co-operative Societies have further discussed the subject & the Rev Commr's D.O. of the 22nd April embodies the results of the discussion. The proposals as in their present form may be accepted.

Dewan

5/8/14/10
26.4

In Council

23/4/10
1.5.10

One Mr

NOTE—Contn. sheet.

GPB—55,000—27-4-10.

* Paper under disposal

- Now that I do not favour the proposals now submitted to the introduction of the Amildar as President or Asst & the Deputation of Co-operative societies and that under

Circulate

18/7/10

On the whole, I think there can be no harm in trying the method advocated by the Rev Gentn. As far as I can make out, there is considerable difference between his latest proposal & the original one. The present proposal is to compel the surviving agricultural Banks to register themselves under the Co-operative Societies Regulation. After they do so, Govt will allow them to modify their

Serial No.

rules i.e. their articles of association in such a manner as to allow them to pay higher interest on deposits, to charge higher interest on loans, and to appropriate savings to some extent in paying dividends & paying for the Service of Office holders

While on this point, I may say that I see no harm in allowing them to charge up to a maximum of 18 P.C. for class IV (temporary small loans) They are now allowed to go up to one pie per 20 Rs each day. This will become about 2 pies when raised to 18 P.C.

The Agricultural banks were meant to be not an association of Capital for trade or other purposes of profit, but an asso-

NOTE—Contn. sheet.

GPB—55,000—27-1-09

Serial No.

ciation of credit for the purpose of raising loans either from government or from depositors. Those that were in need of loans had an interest in joining the Concern; those that had no such need had little to tempt them. This was the root defect of the system; for generally the credit of the needy was of little value as security; and benevolence is a weak incentive to make one's credit become a surety for those who had not sufficient means. Another difficulty was probably the lack of opportunity or knowledge of applying borrowed capital remuneratively so as to be able to pay off the loans regularly out of the profits.

By the alterations now

GPB—55,000—27-4-09

Serial No.

proposed, especially if new shareholders are asked to pay premia while becoming members, the character of the institutions will no doubt be altogether changed. But as these banks in their present state are all in a moribund condition, and are not likely to continue, we may try the experiment of giving them new life in this manner. I am deffident of our success, as the few banks that are still in existence may not after all care to continue.

As observed by Mr. Sharma Rao, there is nothing absolutely in the rules of these banks or of the Cooperative Societies Regulation, against these ~~Societies~~ institutions being brought un-

NOTE—Contn. sheet.

GPB—55,000—27-4-08

Serial No.

der ~~their latter law~~. Operation of the Regulations.

There is only one difficulty that I would wish to point out. Sections 19 & 20 of the Co-op. Societies Regulation create certain priorities in favour of the Society. If there is a conflict between the interests of the new society & those of old creditors &c, it is difficult to say how the matter will have to be decided. This may be examined further if we obtain some particulars about the ~~of~~ outstanding obligations of ~~the~~ each Company towards outriders, and a statement of the property on which each ~~Bank~~ agrl. bank has a lien or charge at present.

The draft order of Govt. may be modified suitably after coming to an agreement as to the course to be taken.

H. [illegible]

5/9/10

NOTE—Contn. sheet.

GPB—55,000—27-4-09

Serial No.

771
14-9-10

The Mysore Government has come in for a great deal of adverse criticism in the matter of the Agricultural Banks started in 1894. Their present unsatisfactory Condition has become a byeword and a reproach. The attempt to set them right if possible is therefore a praiseworthy one. Since these banks were started the Co operature credit movement has come to be recognized as the most essential feature in any scheme for promoting agricultural interests - and the rapidity with which Co operature credit Societies are being organized everywhere, both in British India & native States, bears testimony to the popularity & success of the movement. If the Agricultural banks Can be converted into Co operature credit Societies the block now resting upon the fair name of Mysore will

NOTE—Contn. sheet.

GPB—55,0.1—27-4-09

Serial No.

to a great extent be wiped and the Govt loans may be allowed to continue, for some time to give the new Societies a fair start. The rates of interest charged on loans may be raised & a higher rate of interest allowed on deposits as proposed by the Revenue Commissioner - The appropriation of a portion of the net profits towards paying a dividend to shareholders & honoraria to office bearers will act as a powerful incentive and give a direct interest to the members & office bearers in the working of the Society. The idea of an Assistant President is no doubt repugnant to the spirit of the Co-operative movement. It may be laid down that wherever possible, a suitable non-official should be selected as the President

Note—Contn. sheet.

GPB—55,000—27-4-09

Serial No.

The rules & by-laws for each of these Societies may be so framed as to suit local conditions & circumstances

On this Note I now in favour of the scheme for giving a new shape and instilling new life into the discredited Agricultural Banks now in existence.

Dewan

7846
15.9.10

Please cause Mr Thanikachalam Asst Registrar to put into shape with a saving clause in respect of Sec 20 of the Co-op Act and bring up at a Council meeting.

Asstt Registrar II
for early attention
C/C Clerk
note for meeting

Draft rules with a saving clause in respect of Sec 20 of the Co-op Act is now put before the Council.

12.11.10

NOTE—Contn. sheet.

GPB—55,000—27-4-09

8854/22.11.10 8

30

Extract from the Proceedings of the 257 Meeting of the Council of His Highness the Maharaja, held at Bangalore on the 14th, 15th, 16th & ~~19~~ 18th November 1910.

4. Subject. -

Certain proposals made by the Revenue Commissioner for improving the condition of the Agricultural Banks in the State.

OPINION OF THE COUNCIL.

The draft order (appended) may be approved.

sd/- T. Ananda Row.
Dewan of Mysore.

"Extract

C S Balasundaramiyer
Offg Secretary to Government

Submitted to His Highness.

These papers relate to certain proposals for improving the condition of the Agricultural Banks in the State.

2. In a Memo appended to his letter No.3454 dated 12th September 1908, the Revenue Commissioner noted that the failure of the Agricultural Banks was chiefly due to three causes viz.

(a) Maximum rates of interest prescribed (under para 50) are needlessly low;

(b) Most of the Banks at present spend too much on their establishments and contingencies and leave very little in the shape of net profits to go towards the formation of the reserve fund;

(c) The members have so far evinced very little public interest and as the rules now stand, they have little inducement for working heart and soul in the interests of the Banks and helping towards the speedy building up of a reserve fund.

3. To remedy these defects and to remove, as far as possible, these impediments, it was proposed by the Revenue Commissioner

(a) to empower the Agricultural Banks to charge interest up to 18 per cent per annum;

(b)

(b) to attract deposits from the public by offering higher rates of interest than 4 per cent;

(c) to restrict establishment and contingent charges by directing that they shall be kept as low as possible and must in no case exceed 50 per cent of the net earnings i.e. the gross income less interest charges paid by the Bank;

and (d) by finally holding out a hope of converting the Bank into a future source of permanent help and profit to the members.

4. Mr. M.N. Krishna Rao, in his Note dated 12th November 1908, made certain observations on the proposals submitted by the Revenue Commissioner. Mr. A. Rangaswami Iyengar was given an opportunity of perusing and offering remarks on Mr. Krishna Rao's Note.

5. The Registrar of Co-operative Societies and Deputy Commissioners of Districts were requested to submit their opinions on the proposals formulated by the Revenue Commissioner.

6. The Registrar of the Co-operative Societies stated that "the knowledge I have acquired of these Banks and of their members ever since I have been in charge of these institutions makes me diffident in agreeing with the Revenue Commissioner in his view that if the modifications mentioned in his Memo were

33

carried out, the Banks would acquire a new life".

7. Four Deputy Commissioners responded by offering their opinion. The Deputy Commissioner of Kolar generally concurs with the Revenue Commissioner's proposals except that the rate of interest appeared to him to be high and that a lower rate may be adopted. The Deputy Commissioners of Tumkur, Kadur and Shimoga were in agreement with the Revenue Commissioner and they considered that 9 and 12 per cent would be suitable and proper.

8. The subject was further considered by the Revenue Commissioner in consultation with Mr. M.Shama Rao, Registrar of Co-operative Societies. In April 1910 Mr. A. Rangaswami Iyengar submitted a modified proposal to improve the position of Agricultural Banks. The present proposals do not involve a change in the existing rules. The proposals are -

(1) that the existing Agricultural Banks should be asked whether they elect to register themselves under the Mysore Co-operative Societies' Regulation and to modify their bye-laws in accordance with certain suggestions made by the Registrar;

and (2) that in the case of Banks making the election, the Government to hold out a promise that the amounts due to Government will be allowed to remain outstanding for a reasonable

34

reasonable time.

9. The modified proposals were considered by the Council and it is of opinion that the appended draft order may be approved. The draft order embodies the general approval of the Council to the revised proposals submitted by the Revenue Commissioner. This may be approved.

Record of Cases submitted for the Orders of His Highness the Maharaja

Subject.

Certain proposals made by the Revenue Commissioner for improving the condition of the Agricultural Banks in the State.

26.11.10 1660

363

Order.

Approved

KRW

28/11/10

Secy

29 Nov

Issue

29/11

30/11/10

30/11/10

Serial No.	
9	To the Revenue Comr " Regr of Cooperative Societies " Inspecting Agl Banks in Mysore. " D.Y Comrs of Dts. " Regr of Joint Stock Companies in Mysore " Comptroller No. H-2955-3011 dt. 17.08.7 Directing that the existing Agl Banks in the State be converted into Societies under the Cooperative Regulation II of 05, with a view to infuse new life into them

GPB—55,000—27-4-09

Rev. Comr Form 12.

B.17-08

D 1016

190

From

A. RUNGASWAMI IYENGAR, Esq., B.A., B.L.,

Revenue Commissioner,

in Mysore.

To

The Secretary to the Government of
H. H. the Maharaja of Mysore,
Department

Dated 12" }
Despatched 16" } September 1908.
Received

No. 3454.

Enclosure No. 2.

Furnishes opinion re the present condition of Agricultural Banks.

Young & Co., Printers, Bangalore, 2,000—25-11-07

2

No. 3454
Cus 2

OFFICE OF THE REV. COMR. IN MYSORE,
Bangalore 12th September 1908
16

FROM

A. RANGASWAMI IYENGAR ESQ., B. A., B. L.
Revenue Commissioner in Mysore.

To

The Secretary to the Government of His Highness
the Maharaja of Mysore,
General and Revenue *Department.*

SIR,

I have the honor to state that after carefully considering the present condition of Agricultural Banks, I have thought it expedient to suggest, with a view to give them a chance of resuscitation, certain alterations in the Articles of Association of the Banks. A memo setting forth in detail my views on the subject is herewith submitted together with a copy of Mr. M. Shama Rao's letter containing his opinion thereon.

2. I have discussed the matter with the Presidents and Agents of a few of the Banks, and these changes have been proposed by me to obviate the disadvantages and difficulties complained of by them. If these modifications are favourably viewed and sanctioned by Government, I feel confident that some of the Banks will be able to prolong their existence and do very useful work.

I have the honor to be,

Sir,

Your most obedient servant,

K Ramaswamy

For Revenue Commissioner.

H.S.

D.O.letter No.26 dated 29th August 1908 from Mr.M.Shama Rao, to the Revenue Commissioner in Mysore.

The modifications as proposed by the Revenue Commissioner may, I think, be introduced, and if the Banks benefit by them, it would be a matter for satisfaction.

Regarding the description of the scope and objects of the Co-operative Act as mentioned in the note I beg to state that in the British Provinces, several of the institutions started under the Co-operative Act have adopted unlimited liability and partake of the character of our Agricultural Banks. Our Regulation is a copy of the British Act with only a few changes suited to the conditions of Mysore and does not preclude new institutions of the nature of Agricultural Banks from being registered under that enactment.

----------oOo----------

" C O P Y ".

For Revenue Commissioner.

H.S.

B 17-08 (4

Memo

When Agricultural Banks were originally started with loans at favourable rates advanced by Government, it was hoped that, in course of time, they would be able to build from the net receipts a decent reserve fund which, together with the deposits that might be attracted from members and others, would make it possible for them to carry on their useful work even after the Government loan was completely withdrawn. But, owing to the absence of proper supervision by Government Officers and the suicidal selfishness of the leading members themselves, no attempt was made to conserve the savings and form a reserve fund; and all the Banks must therefore inevitably

inevitably become extinct when the whole Government loan is withdrawn Still, this is not a matter of serious regret as the rules applicable to Co-operative Societies are based on more practical lines similar to those applicable to ordinary banks or 'nidhis' and there is thus every chance of these institutions gradually springing up in the State. But, our Agricultural Banks have certain peculiar features of their own - features which are calculated to bring about a spirit of union and co-operation between the members of a village community, with opportunities for the leaders in such communities taking a prominent part in lending a protecting and helping hand to the poorer members and for all the members initiating and promoting objects

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of permanent communal utility. Such features are genarally wanting in co-operative concerns which have the immediate profit only for their object, and where the interest and influence of the members are limited by the share capital contributed by them. It is therefore very desirable to attempt to resuscitate, if possible, and give a chance to take root and flourish, at least to, some of those Agricultural Banks which have so far been managed fairly well and are capable of being further strengthened.

2. Experience has shown that the impediments in the way of the Banks more rapidly accumulating a reserve and attracting deposits are as set forth below. The present rules have fixed the highest

rates

rates of interest chargeable by the Banks on the different kinds of loans advanced to members. The maximum rates so prescribed are needlessly low and may therefore be very well increased, thus materially improving the profits of the Banks. Secondly, most of the Banks at present spend too much on their establishments and contingencies, and ~~have~~ leave very little in the shape of net profits to go towards the formation of the reserve fund. This must be prevented by insisting that the Banks shall restrict their expenditure to a prescribed proportion of their gross earnings. Lastly, it is found that the members have so far evinced very little public spirit, and, as the rules now stand, they have little inducement for working heart and soul in the

interests

interests of the Banks and helping towards the speedy building up of a reserve fund. It is therefore desirable to enlist the individual member's active interest in the proper working of the Bank by providing for his sharing in the benefits in a tangible shape, to wit, by allowing him to appropriate a portion, however small it be, of the net profits of the Bank.

3. To remedy these defects and remove as far as possible these impediments, it is proposed to empower the Agricultural Banks to charge interest up to 18 per cent per annum, attract deposits from the public by offering higher rates of interest than 4 per cent, restrict charges on account of establishment and contingencies and finally, hold out a hope of converting the Bank into a future source

source of permanent help and profit to the members. The exact nature of the proposals will be readily perceived from the changes to be introduced in the existing rules which are set forth below and may in the light of the above remarks be found selfexplanatory.

4. (a) Para 4 of the Articles of Association may be revised as follows:-

> "An entrance fee of half a rupee shall be paid by each of the members who have signed these Articles as well as by each new member who may hereafter be admitted; such newly admitted member paying, in addition, the amount of premium that may from time to time be prescribed in this behalf under para 56 by the General Assembly."

(b) Para 38 may be revised as follows:-

> "The rates of interest to be

be paid on loans and deposits shall, from time to time, be prescribed by the General Assembly, such rates being however subject to the maximum limits that may, from time to time, be fixed by the Inspector of Agricultural Banks.

(c) Para 50 may be altered thus:-

"The highest rate of interest chargeable on the first three classes of loans shall not exceed 12 per cent and that on the fourth class shall not exceed 18 per cent per annum."

(d) Para 56 may be altered thus:-

"(a) The interest due on loans and deposits and the charges on account of establishment and contingencies shall be met from the gross income of the Bank consisting of the interest levied on the different kinds of loans made by the Bank, the entrance fee and premium levied from the members, the fines referred to in para 54 above and other miscellaneous receipts.

receipts."

(b) The charges on account of establishment and contingencies shall be kept as low as possible and must, in no case, exceed 50 per cent of the net earnings i.e., the gross income less interest charges paid by the Bank.

(c) The net profits remaining after defraying the cost of establishment and contingencies shall not, except as hereinafter provided, be divisible among the members, but shall be formed into a reserve fund which shall be available for meeting unforeseen losses, if any, and for the formation of the capital required for carrying on the business of the Bank. If however the reserve fund thus accumulated amounts to more than ¼th of the limit prescribed for the Bank's funds under para 37 above, it shall be competent for the General Assembly to appropriate an amount, not exceeding half the net profits, for distribution as dividends among members and honorarium to the office bearers. In consi-

deration

deration of the distribution of such dividends to members the General Assembly shall be competent to levy a premium in addition to the entrance fee of 8 annas from every member seeking admission. The amount of such premium may, from time to time, be prescribed by the General Assembly."

Practically a small share capital

(e) Para 57 may be modified as follows:-

" The members shall receive no remuneration for their services in connection with the Bank, except as provided in para 56 above."

(f) Para 59 may be modified as follows:-

"Any member who may permanently leave the local limits referred to in para I or who may cease to hold arable land therein shall cease to be a member of the Bank from the date of such departure or cessation. He may however transfer his rights

rights to any person qualified for membership with the unanimous consent of all the members present at the n-ext meeting of the General Assembly. If such consent be withheld,he will be entitled to a refund of 50 per cent of what each member would have got if the reserve fund be equally distributed among all of them; provided however that such amount shall be held in deposit to his credit and shall be payable to him at the end of two years, subject of course to any claims against him under para 62 infra."

for Revenue Commissioner

C.R.S. 26]

File No. # 1708
Serial No. 2

Diary No. of letter replied to 1616

No. 76357-15
dt 12-2-09.

General and Revenue Secretariat
(Banking)
, *the* 190 .

To The Dy Commrs of Districts
& The Inspector of Agricultural Banks in Mysore

Date of issue

Signed by

I am directed
~~Has the honour to~~ forward herewith ~~for information~~ a copy of the Revenue Commr's letter ~~to the~~ No 03452 dt 12-9-08 ~~with his proposals regarding~~ & the memo referred to in it: ~~the present condition of the Agricultural Banks in the State and the mode of resuscitating them~~ and to request you ~~to favour~~ to let Govt have ~~for information~~ as early ~~a~~ reply as ~~possible~~ is requested.

Shamiah Do
dt 31-1-09
for Secy to Govt

Submitted to Govt for information on the suggestions made therein

Mr
30/1/09

over.

SUBJECT. Bkg

B17-08 (3) (1)

From 24th 190 3953

The Deputy Commissioner

Tumkur District.

To

The Secretary to Government of Mysore, Gen and Rev Departments Bangalore.

Dated 26th April 1909

Despatched 28

Received

General No. 692

No

Enclosure No.

Forwards opinion on the suggestion of the Revenue Commissioner re certain alteration in the articles of association relating to Agricultural banks, with reference to grant thereof a charter of revival

16

Office of the Deputy Commissioner

Tumkur District

Dated Tumkur 26th April 1909

From

K. Doraswami Iyengar Esq

Deputy Commissioner

Tumkur District.

To

K.S. Chendrasekhara Iyer Esq B.A.B.L.

Secretary to Government of His Highness

the Maharaja of Mysore , General and Revenue

Departments

Bangalore.

Sir,

With reference to your letter No Financial 3507-15 / B 17-08-2 dated 12th February 1909 forwarding a copy of the Revenue Commissioner's letter No 3454 dated 12th September 1908, suggesting certain alterations in the articles of association relating to Agricultural banks in view to give them a chance of revival and calling for my opinion on the suggestions therein made I have the honour to state as follows:-

2. The Revenue Commissioner points out three important defects in the articles of association which have proved impediments in the way of successfully working out the Agricultural banks and these are : Firstly the low rates of interest now charged on the loans advanced by the bank . Secondly the unreasonably high scale of expenditure now incurred on account of contingencies and establishment charges and thirdly the want of a pecunary interest to the members of the association in the net profits accruing from the transactions of the bank . He proposes to remedy these defects by increasing the rates of interest , by cutting down the establishment charges and by giving the members a pecuniary interest in the net profits of the bank These suggestions may be adopted . The rates of interest proposed by the Revenue Commissioner however appear to be a little too high

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A rate of 9 and 12 per cent may be adopted.

I have the honour to be

Sir,

Your most obedient servant

For Deputy Commissioner.

2nd

18

Office of the Registrar of Co-operative Societies in Mysore.

No. 716 / Q. 61

Dated, Bangalore, 11th May 1909.

12

From.

M. Shama Rao, Esq., M.A.
Registrar of Co-operative Societies
in Mysore.

To.

K.S. Chandrasekhara Aiyar, Esq., B.A. B.L.
Secretary to the Government of Mysore,
General and Revenue Departments.
Bangalore

Sir,

With reference to your letter No. Fl 3507-15 / B 17-08-2 dated 12th February 1909 inviting my opinion on certain suggestions made by the Revenue Commissioner for resusciating the existing Agricultural Banks, I have the honour to state that the know--ledge I have acquired of these Banks and of their members ever since I have been in charge of these institutions makes me dif--fident in agreeing with the Revenue Commissioner in his view that if the modifications mentioned in his Memo were carried out, the Banks would acquire a new life. The rules relating to these Banks issued in November 1895 are based on the model of the Raiffesein Co-operative Associations of Germany and I am unable to understand the distinction drawn in para 1 of the Revenue Commissioner's Memo between Agricultural Banks and Co--operative Societies. It is not indispensable that the latter should always have share capital nor is it necessary that they should have immediate profit only for their object. In British India, the rules of our Agricultural Banks are more or less the rules of Rural Co-operative Societies, and I cannot therefore agree with the Revenue Commissioner in the distinction he has drawn between Co-operative Societies and Agricultural Banks. In the absence of a special legislative enactment like the Co--operative Regulation which was passed in British India in 1904

190

From

The Registrar of
Co-operative Societies
in Mysore.

To

The Secretary to the

Government of Mysore,

Genl. and Rev. Depts.

Dated, 11th May 1909.

Despatched 2

Received

General No. 716

No. 8-61

Enclosure No.

Reports his opinion about re-

-susciating the existing Agricultur-

-al Banks.

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19

and in Mysore in 1905, the Government in 1895 had to issue rules for Agricultural Banks under the Company's Regula-
-tion, a Regulation extremely ill-suited for the purposes of institu-
-tions like Co-operative Credit Societies.

2. As regards the modifications proposed by the Revenue Commissioner, I can only say that their usefulness at present will be very limited, as there is generally no desire on the part of the existing members of the working Banks to continue these institutions after the Government loans are discharged. There are only six working Banks in the State, although nominally there exist 19 out of 59, which have not been wound up. Every effort made by me to inspire life into even these surviving institutions has been attended with very little success. They are too far discredited in the eyes of the public and in my opinion, it is better not to vex their ghosts by new rules which cannot under the present circumstances be of any practical utility, but to allow them to go out of existence peace-
-fully as they prefer to do after the Government dues are paid in full. There are only four Banks which have ac-
-cumulated a small reserve and I have been trying to bring them under the Co-operative Regulation, so that they may ob-
-tain more working capital from the open market, for want of which their transactions have become very much circum-
-scribed at present.

I have the honour to be,

Sir,

Your most obedient servant,

M. Ramachandra Rao

Registrar.

cvn

B.17-08

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1939 (263)

From M. Narain Rao Esq
Deputy Commissioner
Shimoga District

To
H. S. Chandrasekhara Iyer Esq
B.A. B.L.
Secretary to the Govt of Mysore
Genl & Rev Depts

Dated 24th August 1909

Despatched

Received 9

General No. 117

No. 84.

Enclosure No.

With reference to his No. P.3508 B.17-08-2 dated 12th February 1909, forwards opinion on the alterations suggested by the Rev Commissioner in the articles of Association

No. 117
84.

Deputy Commissioner's office
Shimoga District
24th August 1909.

From M. Narain Rao Esq.
Deputy Commissioner
Shimoga District

To H. S. Chandrasekhara Iyer Esq. B.A. B.L.
Secretary to the Government of Mysore
Genl & Rev Depts.

Sir,

With reference to your letter No H3508-17
B17-08-2
dated 12th February 1909 calling for my opinion on the suggestions made by the Revenue Commissioner in respect of certain alterations proposed in the articles of association of Agricultural Banks, I have the honour to state that, as pointed out by the Revenue Commissioner, the chief causes which have brought the banks to their present condition are (1) the absence of sufficient means for the formation of a Reserve Fund, as the small profits, which the present rate of interest would allow, are being almost wholly utilized on Establishment and contingent charges, and (2) the want of sufficient inducement

for Depositors. The alterations suggested by the Revenue Commissioner are in the right direction and may be adopted with the following modifications.

(a) Para 4 - The proposed levy of a premium from new applicants for Membership does not commend itself to me, as it will tend to discourage persons from becoming members.

(b). Para 38 . The maximum rates of interest having been fixed in the altered para 50, it is not necessary that the Inspector of Agricultural Banks should be left to fix the rates of Interest to be paid on loans and deposits. This power should rest in the General Assembly, not in the Government Inspector.

(c) Para 50. I approve of the highest rates of interest now proposed, viz: 12 per cent. on the first 3 classes of loans and 18 per cent. on the loans of the 4th class.

(d) Para 56.

(i) In view of the opinion expressed above, the word "premium" may be omitted.

(ii) I would limit the expenditure on account of Establishment and Contingent charges to one-third (or 33 per cent.) of the net earnings

as otherwise after a lapse of a few years the income would be less than the expenditure which would remain undiminished.

(iii) I agree to the division of the dividend as suggested. The proposal is very sound.

(e) Para 57. The alteration to be suggested is allright and may be adopted

(f) Para 59. The suggestion is allright and may be adopted.

2. In order that the Bank may attract deposits and inspire confidence in the minds of depositors, a rule may be added to the effect that the deposits shall be the first charge upon the Bank's funds.

I have the honour to be,

Sir,

Your most obedt servt

Deputy Commissioner

Shimoga District

(6)

B 17-08.

From The Deputy Commissioner,
Kadur District.

To The Secretary to the Govt. of
Mysore, Gen. & Rev. Depts.

Dated 28th

Despatched 29th January 1910.

Received

General No. 258
No.

Enclosure No.

Submitting opinion on the suggestions made regarding certain alterations in the Articles of Association of the Agricultural Banks.

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25

Office of the Deputy Commissioner,

Kadur District.

Dated, Chikmaglur, the 28th January 1910.

From

K.R.Srinivasa Iyengar, Esquire, M.A.,

Deputy Commissioner,

To

C.S.Balasundaram Iyer, Esquire, B.A.,

Secretary to the Government of Mysore,

General and Revenue Departments.

Sir

Adverting to Government Order No.3507-18/B.17-08-2 of the 12th February 1909, calling for my opinion on the suggestions made in the Revenue Commissioner's letter No.3454 of the 12th September 1908, regarding certain alterations in the Articles of Association of the Agricultural Banks, I have the honor to state that the suggestions made by the Revenue Commissioner are well considered and calculated to considerably improve the working of the Banks, and I agree with them on all points except that relating to the rate of interest to be charged on loans issued to Members. The Revenue Commissioner has suggested that the maximum rate of interest may be fixed at 12% on the first three classes of loans and 18% on those of the fourth class. I am of opinion that the above percentage is too high; and that 9% and 12% respectively will be more suitable and proper.

2. From my experience of the working of the Agricultural Banks in the Kolar and Bangalore Districts, I have found that the chief causes which have contributed to the failure of many of them are firstly the absence of sufficient check and scrutiny on the part of the Government officers over the affairs of these Banks and secondly the necessity for the Banks to resort to Civil Courts for the recovery of the loans due from recalcitrant members.

They must take care in granting loans.

3. At present, the Government Officers - whether Amildars, Assistant Commissioners or Deputy Commissioners - have no powers of interference with the internal management of the Bank

affairs. In the case of many of the Banks, this has resulted in the funds of the Bank being fully apportioned as loans among a few of the influential and unscrupulous members (many of them Pateis and Shanbogues), thereby depriving from the benefit of the Bank the other members, most of whom belong to the ryot classes for whose benefit the Banks were primarily intended. So long as human nature is what it is and our ryots remain in their present condition of ignorance and illiteracy, it is impossible to expect the few intelligent and enterprising members of the Bank not to take advantage of the ignorance of their less intelligent brethren and use the Bank funds to their advantage at the expense of the latter. The only remedy for this state of affairs is in my opinion to arm the local officers with greater powers to check the uncontrolled and selfish vagaries of the influential but unscrupulous members of the Bank. I would therefore suggest that the Amildar, or, where there is an Assistant Commissioner in charge of the Taluk, such officer should be made the President of all the Banks in his Taluk or District as the case may be, so that he may take a real interest in and consider himself responsible for the management of the Bank affairs. This will not entail much additional work on the Amildar or Assistant Commissioner as the number of Banks in any Taluk or Sub Division is not so large as to engross too much of his time and attention. Objection may be taken to the above suggestion on the grounds that it will interfere with the fostering of self governing institutions. I, however, think that the time is not yet arrived when we can leave the people alone in the management of such affairs as the Agricultural Banks without the control and supervision of official agency and that if Agricultural Banks of the kind now under operation are to be a success without involving the Government and people in loss, they should be subjected to direct official control in the manner suggested by me above and should not at least for some time longer, be left solely in the hands of private individuals.

27

4. As regards the second of the drawbacks mentioned by me in para 2, I believe if I have been rightly informed that it has been already brought to the notice of Government by the late Inspector of Agricultural Banks and the present Registrar of Co-operative Societies. At present, even in cases where the directors and other office holders of the Bank are actuated by the best of intentions to recover the out-standing arrears, they find themselves unable to do so without the trouble and expense of a law suit. Any one who has experience of a civil suit is aware that it is attended with considerable risks and that even where justice is obtained, it is often secured after great delay and at considerable expense. If the Agricultural Banks are to work briskly, I think, it is essential that provisions should be made for the recovery of the out-standing dues as land revenue demand. If it is feared that the power to make such recovery is likely to be abused or lightly used, it can be easily guarded against by investing the Assistant Commissioner with discretionary authority in the matter of exercising such powers and making their orders appealable to the Deputy Commissioner or Government, if necessary.

I have the honor to be,

Sir,

Your most obedient servant,

for Deputy Commissioner,

Kadur District.

No. C.290 (7)

Deputy Commissioner's Office, 28

Kolar District,

Dated Camp Champion Reefs, 21st March 191[illegible]

B17-08

From

C. Srikantesvara Aiyar, Esqr., B.A. B.L.,

Deputy Commissioner, Kolar District.

To

C. S. Balasundaram Iyer, Esqr., B.A.,

Offg. Secretary to the Govt. of H.H. the Maharaja

of Mysore, General & Revenue Departments.

Sir,

Adverting to your letter No.Fl.3507-14/B.17-08-2 dated the 12th February 1909, calling for opinion on the suggestions of the Revenue Commissioner regarding the improvements to be effected for the better working of the Agricultural Banks in the State, I have the honor to state that, from my own knowledge of some of these banks and consultation with those interested, I consider the proposals are well suited and may with advantage be adopted. Ther is nothing, on principle, to preclude the members of Agricultural Banks from being permitted to share in the net profits, if any, especially after making such adequate provisions as are contempla ted in the proposals of the Revenue Commissioner. As regards the maximum rates of interest, however, it may perhaps be desirable to keep them somewhat lower.

I have the honor to be,

Sir,

Your most obedient servant,

C. Srikantesvara Aiyar

Deputy Commissioner,
Kolar District.

II
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1909-10

From

The Deputy Commissioner
Kolar District

To

The Secretary to Government
General & Revenue Depts.

Dated 21st March 1910

Despatched

Received

General No. C-290
No.

Enclosure No.

Submitting Opinion on the proposals of the Revenue Commissioner for the better working of the Agricultural Banks in the State.

24

D.O.M.
Encl: 388
24/ File

8 8 4316

GOVERNMENT OF MYSORE

OFFICE OF THE REVENUE COMMISSIONER
IN MYSORE,

Bangalore, 22nd April 19 10.

My dear Balasundaram Iyer,

I sent for the Secretariat Files relating to Agricultural Banks in order to discuss the question with Mr. Shama Row as I thought that a joint proposal from us could be more easily dealt with by Government. I am glad to say that Mr. Shama Row fully agrees with me that it is quite possible to improve the position of the existing Agricultural Banks by adopting my suggestions and that it is very desirable to do so in their interests. I enclose his D.O. letter to me and a Draft Government Order which he drew up at my request. The latter may have to be altered in some respects but this can be done if the Dewan is pleased to entertain our proposals favourably.

To put the matter briefly and clearly, the proposals are as follows:-

(i) The existing Agricultural Banks should be asked whether they elect to register themselves under the Co-operative Regulation and to modify their Bye-laws in accordance with certain suggestions made by the Registrar.

(ii) The Government should kindly hold out a promise that in the case of Banks which may make the elec tion, the amounts due to Government will be allow to remain outstanding for a reasonable time.

I am convinced that these concessions will not pre judice the interests of Government in any way but on the other hand confer upon the Banks a great boon and make them permanent institutions of the Country.

In conclusion I have only to request that the question may be taken up for decision and disposed of early.

Yours sincerely,
A Rangaswamy

To,

C. S. Balasundram Iyer Esq., B.A.,
Offg. Secretary to the Govt. of H.H.The Maharaja of Mysore,
General and Revenue Departments.

With the file.

GOVERNMENT OF MYSORE

D.O. AH 21-4-10

Office of the Registrar of
Co-operative Societies in Mysore,
Bangalore 19 April 1910

My dear Sir

I have again carefully read the file relating to the resuscitation of our Agricultural Banks and while sympathising with your wishes to save them from extinction I assure you that the existing rules issued by Govt for the guidance of the Agricultural Banks in no way transgress the provisions of the Co-operative Regulation and as they were issued at a time when this Regulation was not in force, they had to be issued under the authority of the Company's Act. This latter Act is a most cumbrous and difficult act and is more or less intended for the benefit

of capitalists embarking in enterprise for their own benefit. The Cooperative Societies on the other hand is intended as much for the benefit of the borrowers as for the security of capitalists. It gives better control to such officers over the individual registered under it and now that we have the Regulation, I see no reason why we should not be guided by the Cooperative Act. Viewed in this light the collapse of our agricultural Banks may even be taken as a blessing in disguise as it allows us a free hand in remodelling them. In para 11 of your second letter you have expressed your willingness to place all Banks being brought under the Cooperative Regulation and as I can assure you that there seems

features are such in the bank charged thereby, I hope that the Govt will have no objection to issue an order in this respect.

Regarding the Govt advances now due from most of the Banks, it should I think, be made clear to them that in the case of such of the members as are not willing to come under the new Regulation, their dues would be promptly collected by coercive measures and that in no case would any time be granted for repayment. By taking up a firm attitude we shall be really helping the depositors who are now being pinned by the heavy personal interest that they pay on their overdue loans and shall also be reviving the

Banks. I am afraid that at present the defaulting members resort to various devices to frustrate as far as possible our efforts to collect their dues and in the interests of the members who have been punctual and correct in repayment this attitude on the part of the defaulters should no longer be tolerated.

The Guildars may, as stated in para 8 of your further note, be appointed Honorary Presidents of the Agricultural Banks within their Jalqa

As mentioned by you in para 11 of the above note, if Government are willing that the Ag. Banks should come under the Cooperative Regulation and also to continue the advances of money already made, the changes proposed in the rules may then be commenced with reference to each Bank. Prof. I would

GOVERNMENT OF MYSORE

Office of the Registrar of
Co-operative Societies in Mysore,
Bangalore..... 190

D.O.

however propose that the whole Correspondence together with the modifications suggested by you may be printed as a Supplement to the Govt order sanctioning the Change of registration under the Co-operative Regulation and the Continuance of the Govt loan. There is no need to have a rigid set of rules, one and the same for all the Banks. The existing rules and the modifications proposed may serve as models to be followed as far as possible. As each Bank after its re-registration, gets or frames a set of rules, these rules may be approved by Govt and thenceforth

may be addressed for guidance.

I append a draft govt. order
for your kind perusal

Yours truly
M. Shanmukham

Rajakarya pasumia
A. Rayasamy Reddiyar Esq
Rev Commr

B1708
32
21.4.10

draft

Proceedings of the Govt of Mysore

Read

In

In the letter of the letter read above, the Revenue Commissioner has proposed certain alterations in the Articles of Association of Agricultural Banks with a view to give them a chance of resuscitation under altered conditions. There is no need at present to discuss the causes that have led to the failure of these Banks, nor is it necessary for to

refer to 73

the ~~conflict~~ variety of opinions expressed ~~by some of the~~ by several of the officers consulted regarding the changes proposed to be made in some of the Articles of Association. The Government are anxious that these Banks which were started for the benefit of the rural classes should be given a fresh life if possible, ~~but~~ conscious that in the future they should be brought more under the Co-operative Regulation III of 1905 instead of being allowed to continue under the Company's Act. When these Banks were first started in Mysore in 1894, there only legal enactment under which they could be registered was the Company's Act and for want of choice they were brought under that Act ~~at the time~~. At present however, a special enactment for the benefit of such as

with this object and ~~for this purpose~~ they

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-tutions ~~has been~~ it has been framed and is in force and it is desirable that the banks should avail themselves of the provisions of this special Regulation. At the same time, this Regulation gives better control to the supervising officers over the institutions registered under it and should accordingly direct that such of the existing Agricultural Banks as are willing to register themselves under the Co-operative Societies' Regulation III of 1905 may be registered under that Regulation. In such cases, Government are also willing to continue the advance of Government money for such further period as after consultation in investigation they the local circumstances

Demand note except in respect of sections 19 & 20.

and consulting the
local Officers, the Registrar
of Cooperative Societies
may consider necessary.
~~and recommend~~
In the case of such of those
~~members~~ as are not
willing to continue as
members of an Agricultural
Bank when the majority
~~decision~~ to register
the Bank under the Cooperative
Regulation, the steps
will at once be taken
to collect by them
by means of coercive
measures and no further
time shall be granted to them
for repayment.

The Deputy Commissioner
of Kasur proposes that
the Auditors should
be appointed as persons
of the Agricultural Banks
within their Circles. The
Registrar of Cooperative
Societies now exercises
control over these Banks,
~~and gets their accounts~~
~~audited.~~ The Auditors
concerned may be
the Assistants or Officers

This portion is omitted in reference to the Dewans note on page 22 of the notes.

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for the inspection and supervision of the Banks in their several Talukas, reporting the results of their inspection and supervision for the orders of the Registrar.

No Bank should be registered under the Co-operative Regulation without the a special order from Government for taking up in each case and such ~~necessary~~ that the rules newly framed for the registered banks should also before being brought into force be approved by Government as a condition for continuing the ~~advance of~~ Govt loan which may have been advanced. The existing rules, and the modifications proposed should be taken as models and the new rules should be as on their lines as far

This portion is omitted as per Asstt Engs and Directors Note. Thus

as possible, consistently
with the need of nature
of the ~~Agricultural~~ institutions
such as the Agricultural
Banks were intended
to be. After some experience
is gained in the practical
working of the new rules
~~contained~~ approved by
both from time to time
in the case of ~~commercial~~
institutions, the question
of issuing a consolidated
set of rules for all the
Banks may be considered
and in the meanwhile
both reserve orders
on the subject.

Secy

To ~~Sec~~ ——

2953 B1708 SL(a) 38

Proceedings of the Government of H.H. the Maharaja of Mysore.

Read -

Letter No.3454 dated the 12th September 1908 from the Revenue Commissioner formulating certain alterations in the Articles of Association of the Agricultural Banks with a view to resuscitate these institutions.

2) The following letters from the Dy. Commrs. of Districts and Inspector of Agricultural Banks in reply to Circular letter No. Fl.3507-15 dated 12th February 1909 forwarding these proposals to them and inviting their opinions thereon.

3) Letter No.692 dated 28th April 1909 from the Dy. Commr: Tumkur Distt stating that the changes contemplated by the Revenue Commissioner may be adopted except in the matter of interest which he considered a little too high.

4) Letter No.716/61 dated 11th May 1909 from the Inspector of Agricultural Banks stating that there are only six working Banks in the state and that the proposed alterations in the Articles of Association could not be of much practical utility in helping the revival of these institutions and that he is trying to bring these working Banks under the purview of the Co-operative Societies Regulation.

5) Letter No.117/84 dated 24th Aug.

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1909 from the Deputy Commissioner, Shimoga District agreeing in the main with the proposed changes and adding that in order to attract deposits, it may be made the first charge on the Banks funds.

6) Letter No.288 dated 29th January 1910 from the Deputy Commr. Kadur District stating that he considered the proposed rate of interest high and with this exception agreed with the Revenue Commissioner's proposals and recommending for the consideration of Government two other proposals which he considered also necessary for reasons given, for the proper working of these institutions viz., to make the Amildar President of all the Banks within the jurisdiction of his taluk and also to provide for the recovery of the outstanding dues as a land revenue demand.

7) Letter No.290 dated ~~22nd~~ 21st March 1910 from the Deputy Commissioner, Kolar District also agreeing with the Revenue Commissioner's proposals excepting in the matter of interest which he considered desirable to keep somewhat lower than 18 per cent.

8) Letter No.3[illegible]8 dated 22nd April 1910 from the Revenue Commr:

submitting

40

submitting on re-consideration a joint proposal from himself and the Inspector of Agricultural Banks for the resuscitation of Agricultural Banks, for consideration of Government and soliciting e rly orders thereon.

ORDER THEREON. - No. H2999-301
B17-08-7
Dated 6 Dec 1920

In the first of the letters read above the Revenue Commissioner has proposed certain alterations in the Articles of Association of Agricultural Banks with a view to give them a chance of resuscitation under altered conditions. There is no need at present to discuss the causes that have led to the present unsatisfactory state of these banks, nor is it necessary to refer to the variety of opinions expressed by the several officers consulted regarding the changes proposed to be made in some of the Articles of Association. The Government are anxious that these banks which were started for the benefit ~~fa~~ of the rural classes should be given a fresh life if possible, and with this object they consider that in the future they should be brought under the Co-operative Regulation III of 1905 instead of

being

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being allowed to continue under the Companies Act. When these Banks were first started in Mysore in 1894 the only legal enactment under which they could be registered was the Companies Act and for want of choice they were brought under that Act at the time. At present however, a special enactment for the benefit of such institutions has been framed and is in force and it is desirable that the Banks should avail themselves of the provisions of this Regulation. At the same time, this Regulation gives better control for the supervising officers over the institutions registered under it and Government accordingly direct that such of the Agricultural Banks as are willing to regist r themselves under the Co-operative Societies Regulation III of 1905 may be registered under that Regulation. In such cases Govt are also willing to continue the advances made by Government for such further period as after investigating the local circumstances and consulting the local officers, the Registrar of Co-operative Societies may consider necessary. In the case of such of those as are not willing to continue as members of an Agricultural Bank when the majority decide to register the Bank under the Co-operative Societi

Societies Regulation, steps will at once be taken to collect their dues by means of coercive measures and no further time will be granted to them for re-payment.

No Bank should be registered under the Co-operative Regulation without a special order from Government in each case and Government also direct that the rules newly framed for the guidance of a resuscitated bank should before being brought into force be approved by Government as a condition for continuing the Government loan which may have been advanced. The existing rules and the modifications proposed should be taken as models and the new rules should be on their lines as far as possible, consistently with the nature of the institutions such as the Agricultural Banks were intended to be. After some experience is gained in the practical working of the new rules approved by Government from time to time in the case of individual institutions, the question of issuing a consolidated set of rules for all the Banks may be considered and in the meanwhile Government reserve orders on the subject.

Print
Transfer
Maccathead
Press

The Rev. Comm.
Regr. of Co-operative Societies.
Inspector of Agrl. Banks.
Dy. Comrs. of Distts.
Regr. of Joint Stock Companies.
Comptroller to Govt.

16 Copies sent 2/12/40 CSB

Offg. Secy. to Govt

To

Proceedings of the Government of His Highness the Maharaja of Mysore,

READ—

Letter No. 3454, dated the 12th September 1908, from the Revenue Commissioner, formulating certain alterations in the articles of association of the Agricultural Banks with a view to resuscitate these institutions.

2. The following letters from the Deputy Commissioners of Districts, and Inspector of Agricultural Banks in reply to circular letter No. Fl. 3507-15, dated 12th February 1909, forwarding these proposals to them and inviting their opinions thereon:—

(1) Letter No. 692, dated 28th April 1909, from the Deputy Commissioner, Tumkur District, stating that the changes contemplated by the Revenue Commissioner may be adopted except in the matter of interest, which he considered a little too high.

(2) Letter No. 716-61, dated 11th May 1909, from the Inspector of Agricultural Banks stating that there are only six working banks in the State and that the proposed alterations in the articles of association could not be of much practical utility in helping the revival of these institutions and that he is trying to bring these working Banks under the perview of the Co-operative Societies Regulation.

(3) Letter No. 117-84, dated 24th August 1909, from the Deputy Commissioner, Shimoga District, agreeing in the main with the proposed changes and adding that in order to attract deposits it may be made the first charge on the bank's funds.

(4) Letter No. 288, dated 29th January 1910, from the Deputy Commissioner, Kadur District, stating that he considered the proposed rate of interest high and with this exception agreed in the Revenue Commissioner's proposals, and recommending for the consideration of Government two other proposals which he considered also necessary for reasons given, for the proper working of these institutions, namely, to make the Amildar President of all the banks within the jurisdiction of his taluk and also to provide for the recovery of the outstanding dues as a land revenue demand.

(5) Letter No. 290, dated 21st March 1910, from the Deputy Commissioner of Kolar District, also agreeing with the Revenue Commissioner's proposals excepting in the matter of interest, which he considered desirable to keep somewhat lower than 18 per cent.

(6) Letter No. 388, dated 22nd April 1910, from the Revenue Commissioner submitting on reconsideration a joint proposal from himself and the Inspector of Agricultural Banks for the resuscitation of Agricultural Banks for consideration of Government and soliciting early orders thereon.

No. FL. 2999-3011—B. 17-08-7, DATED BANGALORE, 6TH DECEMBER 1910.

ORDER THEREON.—In the first of the letters read above, the Revenue Commissioner has proposed certain alterations in the articles of association of Agricultural Banks with a view to give them a chance of resuscitation under altered conditions. There is no need at present to discuss the causes that had led to the present unsatisfactory state of these Banks, nor is it necessary to refer to the variety of opinions expressed by the several officers consulted regarding the changes proposed to be made in some of the articles of association. The Government are anxious that these banks, which were started for the benefit of the rural classes, should be given a fresh life, if possible, and with this object they consider that in the future they should be brought under the Co-operative Regulation, III of 1905, instead of being allowed to continue under the Companies Act. When these Banks were first started in Mysore in 1894, the only legal enactment under which they could be registered was the Companies Act and for want of choice they were brought under that Act at the time. At present, however, a special enactment for the benefit of such institutions has been framed and is in force and it is desirable that the banks should avail themselves of the provisions of this Regulation. At the same time this Regulation gives better control for the supervising officers over the institutions registered under it, and Government accordingly direct that such of the Agricultural Banks as are willing to register themselves under the Co-operative Societies Regulation, III of 1905, may be registered under that Regulation. In such cases Government are also willing to continue the advance made by

Government for such further period as after investigating the local circumstances and consulting the local officers, the Registrar of Co-operative Societies may consider necessary. In the case of such of those as are not willing to continue as members of an Agricultural Bank when the majority decide to register the Bank under the Co-operative Societies Regulation, steps will at once be taken to collect their dues by means of coercive measures and no further time will be granted to them for repayment.

No bank should be registered under the Co-operative Regulation without a special order from Government in each case and Government also direct that the rules newly framed, for the guidance of a resuscitated Bank should, before being brought into force, be approved by Government as a condition for continuing the Government loan which may have been advanced. The existing rules and the modifications proposed should be taken as models and a new rule should be on their lines as far as possible, consistently with the nature of the institutions such as the Agricultural Banks were intended to be. After some experience is gained in the practical working of the new rules approved by Government from time to time in the case of individual institutions, the question of issuing a consolidated set of rules for all the banks may be considered and in the meanwhile Government reserve orders on the subject.

C. S. BALASUNDARAM IYER,
Offg. Secy. to Govt., Gen. & Rev. Depts.

To—The Revenue Commissioner in Mysore.
The Registrar of Co-operative Societies in Mysore.
The Inspector of Agricultural Banks in Mysore.
The Deputy Commissioners of Districts.
The Registrar of Joint Stock Companies in Mysore.
The Comptroller, Mysore Government.

Exd.—C. V.